

CRAWFORD Perspectives

RED FLAGS and BLACK SWANS

March 7, 2016 Vol. 16/03

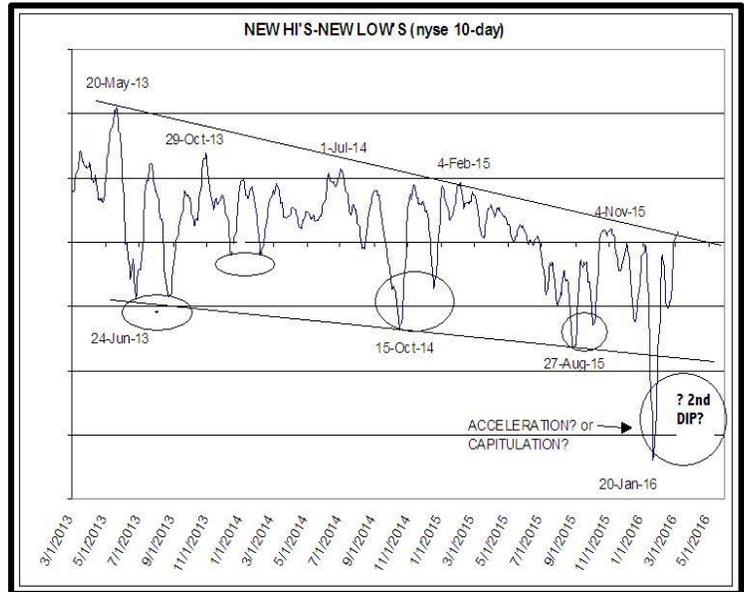
The SOLAR ECLIPSE tomorrow may throw a monkey wrench into anyone's and everyone's expectations. Some of the Major Indices are looking like a Rising Wedge pattern on the very short term. Most are also returning to their 50% or 61.8% Fibonacci retracement levels which are close to their 200-Day MA's as well.

Basically that means that there is a considerable resistance to further advance just a bit higher than where they are now. It does NOT mean that they will not be able to plow through, only that it will be difficult, if possible. We remain skeptical that markets are capable of achieving new high territory. But we are keeping our protective stop-loss orders in place, in order to limit further potential losses to a "reasonable" extent, in case we are mistaken.

There are many Red Flags flapping in the wind, many which are mentioned once and then ignored with overwhelming attention on a few which do not yet amplify the seriousness of the situation. In fact, we could suggest metaphorically that there are a flock of "Black Swans" looking for a place to land!

The clearest sign of a world in collapse is the drop off the cliff of the Baltic Dry Index at new historic lows. That indicates that World Trade is essentially drying up. Ships are laying about in harbors, with very few in international waters. The other denotation of maximal downside is the employment participation rate. Multiple new statistics got a hair better this week, but none are breaking up through solid downtrend channel lines.

Another major problem is that government statistics that start to look bad are merely revamped until they don't.



NOTICE TENDENCY TO DOUBLE BOTTOMS

The chart (above) of the 10-Day Moving Average of the difference between NYSE New 52-week Highs minus New Lows shows the recent downward spike to extreme levels of New Lows beginning with 263 and culminating on January 20th at 1395. This number represents the largest day number of New Lows since November 20th, 2008, although the largest single day was October 10, also in 2008 at 2901.

We notice in this chart, going back about three years, a very strong tendency for low periods to be composed of two relatively comparable spike dips, with the second being the same or less steep (higher) than the first. In the 2008-2009 formation, there was the catastrophic low on October 10, a lesser dip into November 24 and a third lesser dip on the actual market price low, March 9, 2009 (not shown).

We can offer no assurance that any of these patterns will repeat on any particular occasion, especially since the depth of the January dip in this index was excessive in historical perspective. What we can be sure of is that internal market dynamics peaked on May 20, 2013, which was a Total Solar Eclipse AND also an extremely rare Uranus/Pluto square! [Not to mention that it was also an annual Mayan calendar occasion!]

One other very short term measure is the Put/Call Volume Ratio which at .82-.84 is tracking where most market highs have occurred over the past 6 months or so.

Even though this entire year is considered dangerous by the Mars-Uranus Cycle, the better bet for more severe declines is amplified by the presence of Eclipses as in March and September. We will attempt to make a closer call as technical info from market developments becomes available.

Those who are talking/writing about the possibility of a brand new World War III, look for the highest probability near the middle of April. Another interesting time is coming up around May 19-25. Our advice is to go ahead and take the strongest precautions with which you are familiar & relatively comfortable.

VITAL SIGNS

Shorted DJIA 17,533.15 on Close Dec 10 '14
3% STOP at 18,059.14 Close only
Increased to 200% Short July 6
Mon. close=17,683.58; 3% Stop at 18,214.09

Re-Shorted close Dec 8, at 2060,
Add 3% Stop this half = 2121.80
ReShorted 200% on Close at 2057.64 June 29
Changed to 3% STOP at 2129.57 for this set.

ALL OUR STOPS ARE CLOSE ONLY!



ALL BACK UP NEAR THEIR 200-DAY MOVING AVERAGES and 50% RETRACEMENTS!

Even though the Major Index prices have returned to challenge their respective 200-Day Moving Averages, they will not be able to reverse their “Death Crosses” anytime soon, since their 50-Day MA’s are so far below their 200-Day MA’s. Those 200-Day MA’s will represent more than simple resistance as they are also conterminous with Fibonacci retracement constraints at the 50% and 61.8% of previous declines (not shown). The last few days of rise have taken on some of the properties of Rising Wedge patterns, more obvious in the DJIA chart, although you may have to squint to see it (or more simply increase the magnification with your PC tools). The Put/Call ratio supports the possibility of a short term top within days.

The FOMC meeting of March 15-16 and announcement at 2 PM EDT on Wednesday appears to come with even greater volatility than usual or than recently. There may be problems with electrical systems and all things dependent upon them. There may be unusual comments with unusual changes. There may be terrorist acts within a day here or abroad. There will be the greater than usual tension accompanying this presentation. There will be some sad news at the time, whether related or not. Under normal conditions, there are often wide swings in Index Futures perhaps intended to trigger Stops in both directions, within minutes of the announcement, before and after. It often takes 30-45 minutes for the supporting info to be diced and sliced before market indices decide on a direction to follow-through to closing.

Frankly, the largest indication that things are not right is the preponderance of Volatility – everywhere! We have dwelt to some extent about large movements in stock markets, commodities, currencies; of business, of politics, of cities, states and countries. Such as Detroit, Illinois, Puerto Rico, Greece, Russia, Brazil, Argentina, Syria, Yemen, Cuba, Saudi Arabia, Ruble, Franc, Yuan, Oil, Gold, Dollar, and many more. Sudden moves that bankrupt traders and investors in a day, or a few.

We have been adamant that we have not yet heard how these things will all shake out. It will require many lawsuits and bankruptcies and court ordered sales and recompense. We are also not done with revolutions and backlashes of victims of all these things. In the U.S. case, the Crash was the Fall of 1929, but the market low wasn’t until July, 1932. The Bank Holiday & Gold confiscation was in spring of 1933. There have been crashes already in several countries & several more are fast running out of cash.

Twenty-four countries now have some negative interest rates. The premise has always been that rates can’t go below zero! One of my questions is: “Are the banking establishments going to reap that confiscated differential or are governments going to confiscate it from them?” And now they want to get rid of the public use of Cash!?! That can only be because they don’t want you to have any recourse to their control of your entire life!

“The leadership of the beaten down stocks suggests to Louise [Yamada] that this is most likely a pleasant interlude otherwise known as a bear-market rally. Their bounces suggest some extreme bargain hunting, as well as covering bets. Meanwhile the ongoing strength in defensive stocks, such as consumer staples and utilities, many of which sport fancy price/earnings ratios, implies that investors are still bracing for more pain ahead. ‘There are always bear-market rallies that lull us into complacency before the bear claw comes out again to swipe,’ she said on Friday.”

R W Forsyth in today’s *Barron’s*.



OIL STICKS its LITTLE HEAD UP LIKE A CROCUS IN THE SNOW!

OIL has run the gamut from below \$10.00 low in 1999 to \$147 as Katrina attacked the oil refineries in Louisiana, August 29-31, 2005. It fell rapidly back to the mid-30's less than six months later. Two years and three months later it was again bouncing off \$115 and for the next three years hung out mostly between \$85 and \$110. We warned here when it broke below its 50-Month Moving Average and a rising trend-line that it might drop precipitously into the 70's. We stayed with the negative case until it hit our later projection of \$30-33 where we suggested covering half. It looked weak until very recently and our projection was possibly \$20.00.

Our current opinion is that price levels are probably nearer a high than to the recent lows. With Iran now allowed to sell their oil in legitimate markets, and with Russia desperate for cash income and the Saudi's running through their reserves, we have doubts about anything better than a "dead cat" bounce. If a greater War breaks out in the Middle East, all bets are off!

There are huge debates raging over the Inflation/Deflation argument. There has been massive Inflation of Money Supply by Central Bank 'printing' (now they just push a couple of buttons). One side is saying that the inflationary forces will be unleashed when the banks loan out the money. But they don't seem to be loaning very much as of yet?! We think that perhaps the banking industry has not been forced to report the extent of their 2008-9 losses, by not having to mark assets on their books to "market" but are allowed to keep them on at "purchase price." If a private business does that they could be summarily jailed!

The huge decline in OIL is only aggravating these conditions, and bankruptcies in that quarter will put more pressure on banks asset base. Economists say the oil loans are a small percentage of loans outstanding, so "no sweat." However, only a few radical econ folk are calling attention to the likelihood that the entire industry is Already Bankrupt and that NIR (Negative Interest Rates) and outright confiscation is going to be allowed (as in Greece).

Now our government is proposing to do away with Cash so that you cannot escape their despicable machinations. THAT is why Gold is screaming. Silver and platinum will also. First, let's get rid of the larger bills, so you'll have to buy a bigger mattress to hide all your \$20's. Second, let's get rid of all the Guns, so no one will be able to resist Bank/Government Confiscation. Then the average person will be a criminal for wanting to preserve their hard-earned livelihood! Get the picture?

"The Alabama Supreme Court has openly rejected the U.S. Supreme Court's 5-4 marriage opinion, labeling it 'illegitimate' and without legal or precedential authority. This is a clear victory for the rule of law and an historic decision by the Alabama Supreme Court. The Judgement makes permanent the Alabama Supreme Court's order prohibiting probate judges from issuing marriage licenses to same-sex couples. The Alabama Supreme Court has rejected the illegitimate opinion of five lawyers on the U.S. Supreme Court." - Matt Staver of Liberty Counsel - March 4, 2016

GOLD BROKE OUT of its major trend channel above the long term downtrend channel line for the first time in a long and frustrating correction phase. Then, it broke above its previous intermediate high – also for the first time.

We wrote for some months that a break of that previous high at \$1191.70 would be a favorable event and "...a close above \$1200 will be a very positive sign..." It has been very strong upon piercing the 50-Day MA and then the 200-Day MA and downtrend line, all in the \$1130 area.

From there it shot up quickly to 1260, then formed an equilateral triangle during the month of February. During these first days in March, GOLD broke above that triangle and leapt to 1280! Now during this past week it has accomplished the Golden Cross by having the 50-Day MA (red) cross above the 200-Day MA (blue). All systems are GO as it has run from 1045 about +235 points (Dollars).

We actually recommended long positions on our two hotlines at 1159 and 1189. We remain long probably placing stops around 1199 to 1219. Long term, we have kept enough physical Gold "...to bribe the border guards."

We cannot judge at this time if it will crank for hundreds of points right away – but we will be holding somewhat more in view of that possibility!



The **TNX** or 10-Year Bond Rate has now moved up to its highest rate in a month (not shown). This time of year, rates tend to go higher while bond prices fall seasonally. There are now 24 countries suffering from Negative Interest Rates. Remember that our FED and other Central Banks bought a huge amount of their country's bonds, and when rates continue in the negative direction, they will make a great deal of money for themselves and/or constituents.

Many commodities took this week for a rapid recovery break, along with the Metals which we follow more closely. We note that the "Economically sensitive" names such as **Lumber** and **Copper** have improved nicely over the short term. They must persist with the upside motion in order to signal an economy in recovery. Maybe the FED thinks it's enough for raise #2?

ASTRONOMIC ACTIVITY – (Give all these a time period of +/- 2-3 Days)

- FEB 24-29 = More or less pleasant, easy-going aspects. Maybe a good month-end rally in stock indices, & a pull-back in Gold!
 - MAR 8 = Total Solar Eclipse opposes Jupiter = Whatever transpires, there will seem to be too much of it, also square Saturn = Hindrances!
 - MAR 13 = Spring Forward early Sunday to Daylight Savings Time.
 - 14-15 Mon-Tue = Difficult aspects. = Down markets likely.
 - MAR 16 = FOMC announcement Wednesday = The 2 days of meetings are most often UP days! (That's contradictory for the 15th)
 - MAR 20 = Spring Equinox 12:30amEDT = Sun enters Aries = 135 to Saturn = Second quarter will likely see Recession numbers.
 - MAR 23 = Lunar Eclipse = Can escalate an extremely tense situation into maximum danger.
 - MAR 27 = Easter. Easter is the first Sunday after the first Full Moon in Aries!
 - APR 1 = The FINAL Uranus/Pluto square of this series, the last two of which occur in Apparent Right Ascension as astronomers measure.
 - APR 6 = Sun square Pluto, Mercury 135 to Saturn = Probably a down day in markets.
 - APR 7 = New Moon Thursday = Not quite an eclipse but quite strongly near one.
 - APR 17-18 = Mars and Pluto go into Stationary Retrograde motion. Especially violent times +/-10 days or so.
- We think that great dangers reverberate the world in April – Terrorist action or open Warfare spreading uncontrollably?!

ATTENTION: The CP newsletters are usually emailed on 1st Monday of months. Next CP will be available on Monday April 4

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